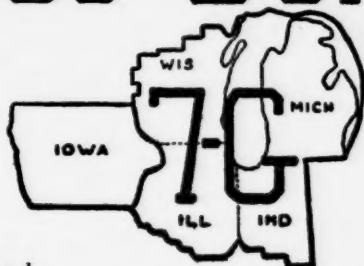


BUSINESS CONDITIONS

SEVENTH FEDERAL



RESERVE DISTRICT

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MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

July 31, 1935

General Summary

FURTHER recessions, characteristic of the season, were recorded during June in Seventh district business activity, but with few exceptions the production and sale of goods exceeded the volumes of June last year.

Seasonal curtailment in manufacturing operations was noted in the automobile, steel, malleable casting, stove, and furniture industries. In the steel industry, however, operations rose rather sharply after the July Fourth holiday and in the middle of July were at a considerably higher level than a year ago at the same time. In fact, in all these manufacturing groups activity was at a higher rate this June than last. At steel casting foundries, however, new business and output were less than a year ago. The building industry showed expansion in June over both a month and a year previous. Industrial employment in the district again declined somewhat in the month.

In the production of foodstuffs may be noted the gains over the preceding month and a year ago in the manufacture and distribution of creamery butter and of Wisconsin cheese. The production of packing-house commodities, on the other hand, was the lowest on this bank's records; and the sales tonnage declined more than seasonally, though the loss in dollar value of sales was slight. The movement of wheat in June was heavier than at any time since last fall but much below average for the month; that of corn and oats continued exceptionally light in volume. Crop growth in the Seventh district made excellent progress in the first half of July, and the harvesting of small grains was progressing rapidly by the middle of that month. The yield of practically all crops in the

district will exceed a year ago and for many will be above average.

As is usual for June, recessions took place during the month this year in most reporting phases of retail trade, department store, shoe, and furniture sales totaling less than a month previous. Chicago department store trade furnished an exception to the general trend, increasing non-seasonally over May. In all these groups the sales volume exceeded that of last June. In the wholesale distribution of commodities, grocery, electrical supply, and drug sales were smaller than a month previous and in the first-named group were under a year ago for the second successive month. The wholesale hardware trade, however, showed a more favorable trend in the period, sales gaining slightly over May and considerably over last June.

As a result of increased holdings of United States Government securities, total loans and investments of reporting member banks in the district rose 90 million dollars between June 19 and July 17; net demand deposits in these banks increased somewhat in the period, but time deposits were considerably lower, reflecting in large measure July 1 shifts in deposit classification. Dealer sales of commercial paper and new financing by means of bankers' acceptances were extremely light in June.

Credit Conditions and Money Rates

Inter-district transfers of funds for the account of banks and their customers resulted in a net outflow of almost 77½ million dollars from the Seventh Federal Reserve district during the four weeks ended July 17. Local banking reserves were further lessened in the period by an excess of approximately 39 millions in United States Treasury collections over disbursements. As a consequence of this decrease in supply of reserve bank funds, member bank reserve balances at the Chicago Reserve bank were reduced by more than 118 million dollars. A small decline was recorded in the holdings of Treasury and National bank currency and also in the amount of special and "all other" deposits. Changes in items affecting the use of Seventh district banking reserves are given in detail in the accompanying tabulation.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	JULY 17 1935	JUNE 19 1935	JULY 18 1934
Total Bills and Securities.....	\$ 358.3	\$ 35.0	\$ -70.8
Bills Discounted.....	0.1	+0.0	-0.1
Bills Bought.....	0.6	-0.0	-0.1
U. S. Government Securities.....	355.7	-5.0	-72.7
Total Reserves.....	1,372.9	-71.9	+280.6
Total Deposits.....	899.1	-83.3	+176.3
Federal Reserve Notes in Circulation.....	795.4	+5.9	+137.3
Ratio of Total Reserves to Deposit and Fed- eral Reserve Note Liabilities Combined..	81.0	-0.5*	+7.8*

*Number of Points.

Changes between June 19 and July 17 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District

(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts)	-1,548
Commercial operations through inter-district settlements	-77,477
Treasury and National bank currency	-895
Total supply	-79,920
Demand for currency	+823
Member bank reserve balances	-118,562
Treasury cash and deposits at Federal Reserve Bank of Chicago	+38,672
Special and "all other" deposits	-681
Other Federal Reserve accounts	-172
Total demand	-79,920

Rate changes during the past month have been negligible; down-town Chicago banks reported a range of 1½ to 5 per cent as the rates obtaining on customers' commercial loans during the week ended July 15, unchanged from the range given for the corresponding week in the preceding month. The average rate earned on loans and discounts by down-town Chicago banks was 3.01 per cent in June, compared with 3.06 per cent in May and with 3.26 per cent in June 1934. Rates on customers' commercial loans in Detroit as reported by banks located in the down-town area of that city for the week ended July 15 were unchanged at 3½ to 6 per cent from the range given a month earlier.

Sales of commercial paper by reporting dealers in the Seventh Federal Reserve district aggregated less than 10 million dollars during June and, as a result, effected a decline of 12 per cent from May and of 44½ per cent from the corresponding month of last year. A decrease of 61 per cent was shown from the 1925-34 average for the month. June marked the fifth consecutive monthly decline for this class of investment, and the volume reached the lowest point since January 1934. Demand from both city and country banks was somewhat less during June than in the preceding month. Selling rates remained unchanged, quotations for June being ¾ per cent for prime short-term obligations to 1 per cent for those of longer maturity or less well-known paper, the bulk of sales, however, moving at ¾ per cent. The volume of commercial paper outstanding on June 29 was 2½ per cent lower than at the end of the preceding month, though totaling 18 per cent heavier than a year ago. Sales for the first half of July registered a further decrease, dropping 11½ per cent from the same period in June.

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	JULY 17 1935	CHANGE JUNE 19 1935	FROM JULY 18 1934
Total loans and investments	\$2,093	\$+90	\$+276
Total loans on securities	228	-8	-99
To brokers and dealers			
In New York	1	-1	-20
Outside New York	30	-2	-10
To others	197	-5	-69
Acceptances and commercial paper bought	28	-3
Loans on real estate	30	-1
Other loans	321	+2	-8*
U. S. Government direct obligations	1,085	+97	+326
Obligations fully guaranteed by U. S.			
Government	92	+1
Other securities	309	+2	+57**
Net demand deposits	1,981	+24	+366
Time deposits	563	-57	+69
Borrowings from Federal Reserve Bank	0	0	0

*Represents total acceptances, commercial paper, loans on real estate and other loans. Segregated figures not available.

**Represents obligations fully guaranteed by U. S. Government and other securities. Segregated figures not available.

Market operations of Chicago bill dealers from June 1 to July 10 were extremely limited. The only activity comprised a small volume of sales to local and out-of-town banks, the supply for which came from Eastern cities. Local purchases and shipments to Eastern centers were nil during the four weeks. Selling rates remained unchanged, ranging from ⅛ to ¾ per cent.

A sharp drop took place during June in new financing by means of bankers' acceptances in the Seventh district the volume falling to the lowest level on this bank's records (from 1923). In the comparisons with May and with June last year declines of 49½ per cent and 42½ per cent, respectively, were registered, and the current volume was 70½ per cent below the 1925-34 average for the month. Lessened discounting of these bills at the originating banks, together with a smaller amount of discounting of other banks' bills, resulted in total bills bought during June dropping to the lowest point in recent years. Sales were nil during June. Bill holdings of accepting banks totaled 8 per cent less on June 29 than at the close of May, and maturities during the month were 57 per cent smaller than in the preceding period. The liability for outstandings at the end of June was 11½ per cent under that of May 31, and the smallest on this bank's records. New financing by means of bankers' acceptances increased during the first half of July.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN JUNE 1935 FROM MAY 1935	JUNE 1934
Total value of bills accepted	-49.3	-42.6
Purchases (including own bills discounted)	-51.4	-60.3
Sales	0	-100.0
Holdings*	-7.8	-51.3
Liability for outstandings*	-11.5	-42.7

*At end of month.

SECURITY MARKETS

Aside from rather wide fluctuations among speculative issues, activity in the Chicago bond market during June was about the same as in the preceding month. New corporate financing proceeded at a rate slightly higher than during May, with a large majority of the issues for refunding purposes. Demand for high grade bonds has continued good, and prices for issues in this classification were firm to somewhat higher during June. Institutional accounts and the larger banks remain the principal purchasers of new issues, although in several instances there has been a definite interest on the part of the private investor, particularly where yields are more liberal. Prices on the Chicago Stock Exchange continued to move gradually upward during June and the first half of July. The average price of twenty leading stocks* amounted to \$36.00 on July 15, as compared with \$35.56 on July 1 and \$34.71 on June 15.

*Chicago Journal of Commerce.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	JUNE 1935	PER CENT OF INCREASE OR DECREASE FROM MAY 1935	JUNE 1934
Chicago	\$2,586	+6.0	+8.1
Detroit, Milwaukee, and Indianapolis	1,098	-3.0	+14.3
Total four larger cities	\$3,684	+3.1	+9.9
36 smaller centers	613	-6.0	+14.9
Total 40 centers	\$4,297	+1.7	+10.6

Agricultural Products

Crop growth, after having been delayed by the unfavorable weather conditions prevailing earlier in the season, made excellent progress in the Seventh Federal Reserve district during the first half of July. The bulk of the corn, though still ten days to two weeks behind usual schedule, was two to three feet above ground by July 16, considerable was waist high, and some had been laid by. Despite the general congestion of farm work, cultivation of the crop advanced so rapidly that most fields were fairly clean by mid-July. In the extreme southern portion of the district, however, progress had been much slower than elsewhere; corn in that area was just getting started, and some acreage had been abandoned because of weediness and flooding.

The harvesting of small grain was advancing rapidly by mid-July: threshing of winter wheat had not only begun in southern sections of the district, but harvesting of this grain was nearing completion in central areas and getting under way in northern sections. Early threshing returns have shown a large number of grains per head but some shrinkage in weight of kernels, owing to damage from red rust. The rye and barley harvest, likewise, was well along and that of oats had begun. Spring wheat had started to head. Small grain, generally, showed a rank growth of straw, considerable lodging, and more or less damage from rust and other fungi. A large crop of hay was being cut; some losses were occasioned early in the month because of frequent rains during the harvest period. Potatoes were in excellent condition and garden truck had improved materially by the middle of July. The outlook for fruit was unusually good. Peaches in Michigan showed some damage from leaf curl, but the Illinois crop was reported in excellent condition. Pastures were abundant the middle of July.

On the basis of July 1 condition, the United States Bureau of Agricultural Economics estimated that the district production of winter wheat, rye, hay, sugar beets, potatoes, peas, and of fruit would exceed the 1928-32 average, that the crop of corn and most feed, spring wheat, flaxseed, edible dry beans, and of tobacco would fall below this average, and that the yield of practically all crops would greatly exceed that of a year ago.

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of July 1 condition

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		1928-32 AVERAGE
	FORECAST 1935	FINAL 1934	FORECAST 1935	FINAL 1934	
Corn.....	668,964	482,658	2,044,601	1,377,126	2,562,147
Oats.....	506,524	183,361	1,266,243	525,889	1,217,646
Winter Wheat.....	61,911	49,293	458,091	405,552	618,186
Spring Wheat.....	3,014	1,632	272,954	91,377	242,385
Barley.....	52,232(a)	28,880(a)	316,850	118,348	282,841
Rye.....	12,142(a)	5,560(a)	53,141	16,045	38,655
Flaxseed.....	243(b)	151(b)	14,499	5,213	15,961
Potatoes (white).....	55,353	66,027	367,589	385,421	363,367
Potatoes (sweet).....	1,298(c)	1,180(c)	65,552	67,400	63,841
Sugar Beets ¹	892(d)	999(d)	8,472	7,481	8,118
Apples.....	22,908(a)	12,085(a)	170,232	120,670	161,333
Peaches.....	6,496(c)	1,290(c)	52,870	45,665	56,451
Pears.....	1,571(c)	1,638(c)	20,862	23,490	23,146
Cherries ¹	31(f)	31(f)	116	114	108
Grapes ¹	82(a)	75(a)	2,149	1,931	2,200
Dry Beans ¹	3,140(f)	3,400(f)	13,119	10,369	11,858
Tobacco ¹	16,340	12,764	1,192,626	1,045,660	1,432,845
All Tame Hay ¹	16,846	9,856	74,538	52,269	69,591
Wild Hay ¹	626(a)	498(a)	11,107	4,759	10,793

¹In thousands of tons. ²In thousands of 100-lb. bags. ³In thousands of pounds. (a) Five states including Seventh Federal district. (b) Iowa and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan. (e) Illinois, Michigan, Indiana, and Iowa. (f) Michigan and Wisconsin.

GRAIN MARKETING

The movement of wheat in the United States aggregated heavier during June than at any time since late autumn. Receipts of this grain at interior primary markets expanded somewhat more than seasonally over May and were above any month since October 1934 but totaled 62½ per cent less than last June and 56½ per cent below the 1925-34 average for the month. Reshipments gained over a month earlier—contrary to the usual tendency—but were 31½ per cent under a year ago and 41½ per cent below normal for June. Farm stocks of wheat in the United States were one-third smaller on July 1 than a year previous, and visible supplies on July 13 were only one-fourth as large as a year ago and the 1925-34 average for the date. With the continuance of weather conditions conducive to an abundant crop in the northern hemisphere, prices of wheat trended steadily downward at Chicago until July 15 when they reached a level 3 cents under a month earlier and 20 cents below the high point which obtained in mid-April. During June, imports of wheat and other grain into the United States continued above a year ago and exports remained practically nil. Prices of this grain showed some recovery after the middle of July, upon confirmation of rust damage in some producing areas.

Corn receipts at interior markets in the United States decreased in June from May—contrary to the usual tendency—and reshipments of the grain declined more than seasonally. Both decreased from a year ago and were in less than half the 1925-34 average volume for the month. Visible supplies and farm stocks of corn showed a marked decline from last year. Prices decreased in June and early July from May.

Receipts of oats at these concentration points were smaller in June than for any other month in this bank's records (January 1921), being 40½ per cent under May and 77½ per cent below the 1925-34 seasonal average. Reshipments of the grain also were in small volume, although they aggregated 18 per cent heavier than a month earlier. Prices declined from May. Total stocks of this grain in the United States likewise were considerably below those of a year ago.

MOVEMENT OF LIVE STOCK

Receipts of live stock at public stock yards in the United States decreased more than seasonally in June from May and were below the 1925-34 average for this time of year. Hog marketings aggregated much less than

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, June 1935.....	157	362	222	83
Federally Inspected Slaughter, United States				
June 1935.....	669	1,828	1,421	439
May 1935.....	735	2,172	1,584	508
June 1934.....	935	3,763	1,259	602

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	JULY 13 1935	JUNE 1935	MAY 1935	JUNE 1934
Native Beef Steers (average).....	\$9.85	\$10.40	\$11.10	\$7.35
Fat Cows and Heifers.....	7.75	7.75	8.10	4.75
Calves.....	8.00	8.20	8.25	4.65
Hogs (bulk of sales).....	9.20	9.35	9.25	4.20
Yearling Sheep.....	6.85	6.50*	6.90
Lambs.....	8.65	8.70	7.95	8.45

*Volume too small to average.

for any other month on record (January 1915). Receipts of cattle, hogs, and calves were considerably under last June, but lamb marketings increased in this comparison. The movement to inspected slaughter followed the general trend of market receipts, except that the decline from May in cattle, hog, and lamb supplies was contrary to the usual tendency, the number of hogs had been smaller in both August and September of 1917 than in June 1935, and the quantity of lambs and calves was above the 1925-34 seasonal average.

Reshipments to feed lots decreased in June from May, but those of cattle and calves remained above the 1930-34 average for the month. The movement of feeder lambs was below seasonal volume.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States fell off counter-seasonally in June to a level below any other month in this bank's records (January 1923), being not only 11 per cent under May and 37 per cent below a year ago but 35 per cent smaller than the 1925-34 average for the month. Though continuing non-seasonally in excess of current production, the sales tonnage decreased more than is customary from May and was 27 per cent under last June and the ten-year average for the month. Coincident with these trends and despite a decline in quotations of beef, veal, pork loins, and a majority of dry salt cuts, the general price level of packing-house commodities showed little change in June from a month earlier. The total value of sales billed to domestic and foreign customers, therefore, declined only $3\frac{1}{2}$ per cent from May, was but $10\frac{1}{2}$ per cent below the 1925-34 seasonal average, and $19\frac{1}{2}$ per cent in excess of the corresponding month of 1934. Commercial inventories of packing-house commodities in the United States showed a reduction of 76,112,000 pounds on July 1 from the beginning of June to a level 291,032,000 pounds below a year ago and 338,107,000 pounds under the 1930-34 seasonal average. Payrolls for the last week of June aggregated only 85 per cent as large as for the date last year but increased over the corresponding period of May by 3 per cent in number of employees, 7 per cent in hours worked, and by $7\frac{1}{2}$ per cent in wage payments.

After having shown a marked expansion in the preceding month, shipments for export fell off sharply in June from May and were in exceptionally small volume. The demand for United States lard was light in the United Kingdom and remained negligible on the Continent. On the other hand, British trade in American hams showed little change from May. Quotations for the limited quantity of these hams permitted to enter British markets under the quota system were above Chicago parity, but the price of American lard in that country remained at a discount. Inventories of United States packing-house commodities in foreign markets—inclusive of stocks in transit—decreased slightly on July 1 from the beginning of June.

DAIRY PRODUCTS

Creamery butter production in the Seventh Federal Reserve district rose 18 per cent in June over May to a level $10\frac{1}{2}$ per cent above a year ago and $2\frac{1}{2}$ per cent higher than the 1925-34 average June volume. On the other hand, the sales tonnage gained somewhat less than seasonally, being only 6 per cent heavier than in May,

$1\frac{1}{2}$ per cent in excess of last June, and $6\frac{1}{2}$ per cent below the ten-year average for the month. Manufacture of the commodity in the United States also expanded more than normally over May and approximated that of a year ago. Despite a $9\frac{1}{2}$ per cent decline in prices from a month earlier and the tendency for imports of the commodity and consumption of butter substitutes to decrease in recent weeks, inventories of creamery butter in the United States expanded more than usual on July 1 over the beginning of June and were not only 26,106,000 pounds greater than a year ago but 4,956,000 pounds in excess of the 1930-34 average for that date.

The manufacture of American cheese in Wisconsin rose $43\frac{1}{2}$ per cent in the four weeks ended June 29 over the preceding period to a level 8 per cent higher than last year and $2\frac{1}{2}$ per cent above the 1930-34 seasonal average. Distribution of this commodity from primary markets of that state not only showed less than the usual June deficiency as compared with current production but was 27 per cent greater than in the corresponding weeks of May, 46 per cent above a year ago, and 9 per cent larger than average for this period. Total inventories of cheese in the United States increased less than seasonally on July 1 over the first of June and were 7,803,000 pounds under the 1930-34 July 1 average. Prices declined approximately $7\frac{1}{2}$ per cent in June from a month earlier.

Industrial Employment Conditions

Decreases in employment and payrolls were recorded for June by Seventh district industries, the number of workers employed falling 2 per cent and aggregate wage payments $4\frac{1}{2}$ per cent below the corresponding figures of the preceding month. Increased activity in non-manufacturing industries, which followed the normal seasonal trend, was insufficient to offset the greater-than-seasonal contraction that was experienced by the manufacturing industries. Current volumes, however, remained above those of a year ago by 4 per cent in employment and 8 per cent in payrolls, or by approximately the same margins as were recorded for the two earlier months of May and April. As compared with the low level of two years ago—June 1933—current employment and payroll volumes were larger by 40 and 55 per cent, respectively.

Payroll declines in the manufacturing industry division totaled considerably more than losses in employment—

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF JUNE 15, 1935			CHANGE FROM MAY 15, 1935	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS ('000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	1,150	237,912	5,438	-1.6	-1.3
Vehicles.....	202	271,580	7,056	-6.7	-14.1
Textiles and Products.....	253	41,507	678	-2.3	+1.2
Food and Products.....	549	83,000	1,845	+2.0	+3.6
Stone, Clay, and Glass.....	148	11,638	241	+3.6	+4.2
Wood Products.....	350	30,032	493	+3.0	+7.7
Chemical Products.....	162	22,037	522	-1.0	+0.7
Leather Products.....	95	19,543	377	-1.9	+1.2
Rubber Products ²	8	7,433	149	-4.1	-14.3
Paper and Printing.....	497	58,204	1,402	-1.7	-1.4
Total Mfg., 10 Groups....	3,414	782,886	18,201	-2.9	-5.9
Merchandising ³	1,667	84,600	1,757	+0.1	+1.6
Public Utilities.....	77	80,933	2,460	-0.2	-0.8
Coal Mining.....	15	3,248	71	+30.1	+56.1
Construction.....	329	15,050	271	+14.7	+16.8
Total Non-Mfg., 4 Groups.	2,088	183,831	4,559	+1.5	+1.6
Total, 14 Groups.....	5,502	966,717	22,760	-2.1	-4.5

¹Other than Vehicles. ²Michigan and Wisconsin. ³Illinois and Wisconsin.

6 per cent against 3 per cent—but the latter were more widely distributed, affecting all but three of the ten main groups. In the stone-clay-and-glass and the food products groups, both employment and payrolls showed continued seasonal expansion, while in the wood-products group, there was a reversal of the earlier downward trend, employment increasing 3 per cent and wage payments 8 per cent. All of the remaining manufacturing groups registered declines in employment, ranging from one per cent for the chemical industries to 6½ per cent in vehicles. In payrolls, on the other hand, several additional groups showed increases, and the heavy aggregate decline resulted mainly from a sharp contraction in the vehicles group. Except for public utilities, all non-manufacturing groups contributed to the general rise of 1½ per cent each in the number of workers employed and in wage payments.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Although production of automobiles declined further in June, in accordance with seasonal trend, the recession was small and output continued, as in earlier months this year, to exceed that for the corresponding month of 1934. Passenger vehicles produced during June by United States manufacturers numbered 296,609, or 3½ per cent below the May volume and 13½ per cent above a year ago. Truck production, totaling 64,711 in number, increased 13 per cent over the preceding month and exceeded that of last June by 43 per cent. In the first half of 1935, the number of passenger cars produced amounted to 1,872,431, representing the heaviest output for the first six months of any year since 1929 and totaling 33½ per cent larger than in the corresponding period last year; truck production in the six months this year numbered 389,713, likewise greater than in the same period of any year since 1929 and 25 per cent in excess of the first half of 1934.

It will be noted in the table that following two successive months of decline, retail sales of new automobiles by reporting dealers in the district showed a small expansion in June; also, that sales by both dealers and distributors totaled substantially larger in the first half of 1935 than in the same period of 1934, used car sales, however, failing to show as heavy a gain as did those of new cars. Furthermore, stocks of used cars have averaged over half again as large in number this year as for the first six months last year, while new car stocks have been

slightly less in number than a year ago. No change was recorded between May and June in the ratio to total sales of those made on the deferred payment plan, the percentage being 46 per cent in each month and comparing with 53 per cent for June last year.

IRON AND STEEL PRODUCTS

The volume of business in the steel industry of the Chicago district continued relatively good during June, though falling somewhat below that of the preceding month. Structural demand has shown some recent improvement, and business from the automotive industry has remained in fair volume, but the sources of demand in general have been well diversified. Steel ingot output, which dropped somewhat over the July 4 holiday, again rose in the following week and by mid-July had reached 49 per cent of capacity, which rate is 16 points higher than that prevailing a year ago at the same time. Average daily pig iron production in the Illinois and Indiana district dropped 13 per cent in June from May. Iron and steel scrap prices have displayed a strengthening tendency since the first of July.

Orders for steel castings registered a further rise in June, bookings for the month exceeding those of May by 30 per cent in tonnage and 15 per cent in dollar value, specifications being for somewhat lower priced items. Shipments lagged behind new orders by a small amount and showed a 19 per cent decline from the preceding month, but production schedules were maintained at an unchanged rate. All items were below those of a year ago, the decreases in tonnage amounting to 18 per cent for orders, 30 per cent for production, and 39 per cent for shipments. At malleable casting foundries, on the other hand, the yearly comparison recorded sizable gains in these items—49, 18, and 13 per cent, respectively—whereas the monthly comparison showed declines of 10 per cent each in shipments and orders and 19 per cent in production.

In the manufacture of stoves and furnaces, activity declined seasonally in June, shipments falling 7 per cent and accepted orders 29 per cent below those of the preceding month. Inventories showed an accumulation of 15 per cent, while molding-room operations continued practically unchanged. The favorable margin over the year-ago figures that has prevailed with practically no interruption since last November continued also into June, orders totaling 20 per cent, production 25 per cent, and shipments 37 per cent larger than in the same month of

MIDWEST DISTRIBUTION OF AUTOMOBILES

	JUNE 1935 PER CENT CHANGE FROM		FIRST HALF 1935 PER CENT CHANGE FROM FIRST HALF 1934	COMPANIES INCLUDED
	MAY 1935	JUNE 1934		
New Cars				
Wholesale—				
Number Sold.....	-13.4	+24.6	+52.5	21
Value.....	-21.3	+20.9	+48.1	21
Retail—				
Number Sold.....	+3.9	+15.8	+29.3	42
Value.....	+2.1	+19.0	+28.9	42
On Hand End of Month—				
Number.....	-11.1	-19.4	-2.0*	42
Value.....	-10.8	-15.6	+5.5*	42
Used Cars				
Number Sold.....	-5.2	+24.1	+16.1	42
Salable on Hand—				
Number.....	+2.2	+58.4	+53.1*	42
Value.....	-0.5	+51.3	+64.1*	42

*Average End of Month.

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JUNE 1935: PER CENT CHANGE FROM		NUMBER OF FIRMS OF YARDS
	MAY 1935	JUNE 1934	
Wholesale Lumber:			
Sales in Dollars.....	+19.3	+44.1	11
Sales in Board Feet.....	+13.2	+31.8	9
Accounts Outstanding ¹	+14.3	+8.3	11
Retail Building Materials:			
Total Sales in Dollars.....	-8.5	+47.3	176
Lumber Sales in Dollars.....	-5.5	+34.1	60
Lumber Sales in Board Feet.....	-19.4	+38.2	70
Accounts Outstanding ¹	+3.2	+2.6	168
Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month			
	JUNE 1935	MAY 1935	JUNE 1934
Wholesale Trade.....	144.5	150.8	192.3
Retail Trade.....	264.6	233.8	366.0

¹End of Month.

1934; inventories showed an increase of 4 per cent in this comparison.

FURNITURE

As is usual in June, both new orders booked and shipments by reporting furniture manufacturers in the Seventh district declined currently, but the recession in orders was less than seasonal, and the volume of each exceeded by an exceptionally large percentage that of the corresponding month last year. Specifically, orders booked totaled 17 per cent smaller in June this year than a month previous and shipments were 13 per cent less, as against declines in the 1927-34 average for the month of 22 and 12½ per cent, respectively; orders recorded a gain of 94 per cent over the aggregate for last June and shipments totaled 54 per cent heavier in this comparison. The current volume of shipments plus cancellations about equaled the amount of new orders received, so that the aggregate of unfilled orders at the close of June showed little change from that of a month previous; this last was 87 per cent above the same date last year. The ratio of unfilled orders to orders booked rose from 72 per cent in May to 86 per cent in June. A continued declining trend was apparent in operations, the rate of 54 per cent of capacity for June being 5 points under a month previous, though 6 points higher than a year ago.

SHOE MANUFACTURING, TANNING, AND HIDES

Shoe manufacturing activity in the Seventh district continued through June at the relatively high level that has prevailed during the past two years. The latest available data covering production during May show a reduction of 14 per cent from April, a one-half per cent decrease from the same month in 1934, but an excess of 20 per cent over the 1925-34 ten-year average. In the tanning industry, production and sales slowed down moderately during June but prices of leather remained unchanged. Sales of packer green hides in the Chicago market increased during the month, the movement during the last week of June reaching a record high for the year. Price declines in the early part of the month were followed by later advances, so that quotations at the close of June were practically the same as a month earlier.

Building Materials, Construction Work

Wholesale lumber sales again showed an upward trend in June, after a slight recession in the preceding month, while retail lumber sales registered a loss for the first month since February this year. Sales in both phases of distribution were considerably in excess of those a year ago. Outstanding accounts increased during the month, but in the wholesale and manufacturing division were lower in their ratio to dollar sales than either a month or a year earlier; at retail, the ratio was higher than a month previous but considerably below the corresponding figure of a year ago. Stocks were generally heavier than last year. The excessive rainfalls throughout June unfavor-

ably affected the cement and brick industries, and reports indicate that in the former industry contract obligations of some concerns have piled up with a resulting backlog. Shipments of cement into the states including the Seventh district, for the first five months this year totaled approximately 16 per cent below those of the same months in 1934, and little reduction in this percentage is indicated for June. Brick deliveries continued in about the same volume as in May and, as in earlier months, were considerably heavier than in 1934.

BUILDING CONSTRUCTION

Seventh district building contracts again increased slightly in June, after having shown a moderate decline during May, and for the third successive month recorded a gain over the corresponding month last year. Residential awards, which recorded substantial increases over both a month and a year previous, amounted to 33½ per cent of all contracts. This ratio compares with one of only 11 per cent in February, the proportion of residential to total building having risen steadily since that month.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
June 1935.....	\$23,074,086	\$7,703,702
Change from May 1935.....	+1.7%	+45.9%
Change from June 1934.....	+12.0%	+199.2%
First six months of 1935.....	\$117,514,618	\$23,374,376
Change from same period 1934.....	-13.8%	+58.3%

*Data furnished by F. W. Dodge Corporation.

Permits issued in 97 cities of the district for all types of construction continued to decline in June, dropping 4 per cent from May in the estimated cost of proposed construction and 11 per cent in the total number issued. As compared with June 1934, however, gains of 98 and 61 per cent, respectively, were shown. The aggregate for 92 smaller cities in the district recorded a gain in proposed construction cost during June over the preceding month, but declines in four of the larger cities—Chicago, Detroit, Milwaukee, and Indianapolis—were of sufficient proportions to effect a drop in the district trend. Indianapolis showed a decrease of 37 per cent from last year, which was the only decline among the larger cities in this comparison.

Merchandising

Varying trends prevailed during June in reporting wholesale trade groups. Grocery sales declined slightly from May and electrical supply sales dropped off 8 per cent, both recessions being counter-seasonal, and for the second successive month the aggregate volume sold in the former group was below the corresponding month a

DEPARTMENT STORE TRADE IN JUNE 1935

LOCALITY	PER CENT CHANGE JUNE 1935 FROM JUNE 1934		PER CENT CHANGE FIRST SEMESTER 1935 FROM SAME PERIOD 1934	RATIO OF JUNE ¹ COLLECTIONS TO ACCOUNTS OUTSTANDING END OF MAY ²	
	NET SALES	STOCKS END OF MONTH	NET SALES	1935	1934
Chicago.....	+6.1	-2.3	+5.6	32.4	33.2
Detroit.....	+2.3	-3.7	+4.6	43.9	42.4
Indianapolis.....	+11.4	-18.5	+10.9	40.9	40.8
Milwaukee.....	+10.2	-5.2	+4.7	40.2	38.1
Other Cities.....	+11.7	+2.7	+5.3	33.7	32.2
7th District.....	+6.9	-3.7	+5.6	37.7	36.8

WHOLESALE TRADE IN JUNE 1935

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUT- STANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUT- STANDING	COL- LECTIONS	
Groceries.....	-12.2	+9.6	-16.8	-12.4	84.1
Hardware.....	+23.9	-6.3	-0.4	+10.2	158.9
Drugs.....	+12.8	-5.4	-1.7	+3.1	172.3
Electrical Supplies.....	+1.0	-4.9	-1.6	-3.0	153.2

year ago. The drug trade experienced a decline of 6½ per cent from the preceding month, as against practically no change in the 1925-34 average for the period, but sales continued to exceed those of a year previous. The wholesale hardware trade reported a favorable month, sales increasing fractionally over May, as compared with an average decline for the month of one per cent, and totaling almost 25 per cent heavier than in June last year. In the first semester of 1935, wholesale grocery sales little more than equaled those for the same period of 1934, while gains of 9, 11, and 14 per cent were shown in this comparison in the drug, electrical supply, and hardware trades, respectively. Ratios of accounts outstanding at the end of June to net sales during the month were higher in all groups than a month previous, but were lower than a year ago.

Department store trade in the Seventh district declined 4 per cent in June from the preceding month, the recession being slightly less than average for the month, and totaled 7 per cent heavier than in the month last year. Although there were five Saturdays in June, there was one less trading day than in May and also one less than in June 1934, so that daily average sales decreased only one per cent from a month previous and were 11 per cent heavier than a year ago. Chicago furnished an exception to the general trend in the monthly comparison, total sales by stores in that city expanding 5 per cent over the May volume. Detroit stores recorded the heaviest recession

from the preceding month, with a decline in sales of 15 per cent, while Indianapolis trade dropped off 10½ per cent, Milwaukee trade decreased 2½ per cent, and sales by stores in smaller centers were 6 per cent less than a month previous. Stocks on hand declined seasonally during June and continued to total somewhat below the level of 1934; stock turnover in the first six months of this year was slightly greater than in the same period last year.

Although sales of shoes by reporting dealers and department stores fell off counter-seasonally 12 per cent in June from May, the volume sold exceeded by 9 per cent that of June a year ago, and in the six months of 1935, sales totaled 5 per cent heavier than in the first half of last year. Stocks were 12 per cent lower at the close of June than a month previous, but were 2 per cent larger than on the corresponding date in 1934.

Sales of furniture and house furnishings by dealers and department stores dropped 23 per cent in June from the preceding month, as compared with a decline in the 1927-34 average for the month of 24½ per cent. The dollar volume sold totaled 19 per cent larger than in June last year, which gain is the largest to be recorded over a year ago so far in 1935; installment sales by dealers increased 23 per cent in this comparison. A decline of 4 per cent from May and of 4½ per cent from a year previous was shown in stocks on hand at the close of June.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	June 1935	May 1935	Apr. 1935	Mar. 1935	Feb. 1935	Jan. 1935	June 1934	May 1934	Apr. 1934	Mar. 1934	Feb. 1934	Jan. 1934
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	83	85	82	77	80	81	69	68	62	63	63	60
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	27	34	38	35	31	31	41	44	31	28	22	21
In Tons.....	12	25	31	38	33	29	30	44	47	31	28	21	21
Malleable—In Dollars.....	21	39	43	48	45	37	37	32	41	38	36	28	23
In Tons.....	21	57	65	72	69	57	59	48	62	58	58	44	38
Stoves and Furnaces—													
Shipments (in dollars).....	10	116	127	114	108	85	59	84	102	78	82	63	45
Furniture—													
Orders (in dollars).....	14	39	46	39	45	42	48	20	29	25	31	28	35
Shipments (in dollars).....	14	38	43	50	47	35	25	25	33	23	24	29	21
Flour—													
Production (in bbls.).....	19	87	100	85	89	90	103	94	96	87	101	104	117
Output of Butter by Creameries—													
Production.....	59	169	143	98	83	81	86	152	143	102	95	85	92
Sales.....	61	138	130	94	87	79	107	136	138	108	110	111	111
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	73	73	70	67	64	72	83	76	64	68	62	64
Hardware.....	11	76	76	72	64	43	41	62	71	63	54	39	38
Drugs.....	12	70	75	73	73	69	74	63	68	66	73	66	73
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	76	72	75	68	59	59	72	73	65	68	56	56
Detroit.....	5	78	92	96	92	76	69	76	93	91	92	67	58
Indianapolis.....	4	79	88	88	89	65	70	71	81	78	84	56	62
Milwaukee.....	5	75	76	85	77	58	58	68	74	82	71	58	58
Other Cities.....	40	72	77	76	71	56	54	64	76	65	74	54	52
Seventh District—Unadjusted.....	81	76	78	81	75	62	60	71	78	72	75	58	56
Adjusted.....	81	78	76	76	83	79	76	73	76	73	76	73	70
Automobile Production—(U. S.)—													
Passenger Cars.....		101	105	137	124	94	78	89	94	98	95	64	39
Trucks.....		172	152	202	181	159	169	120	150	172	157	115	114
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		26	18	16	9	4	6	9	13	10	8	6	4
Total.....		34	33	36	32	17	20	30	32	36	37	24	40
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		59	67	65	63	63	51	66	68	54	49	39	34
United States.....		53	57	57	58	59	49	66	67	59	53	46	40
Steel Ingot Production—(U. S.)*		67	73	76	83	87	80	88	95	88	78	69	56

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

Factory production declined seasonally in June, while output of mines increased. Employment and payrolls at factories showed more than seasonal declines. There was little change in the average level of wholesale prices, and a decrease in retail food prices.

PRODUCTION AND EMPLOYMENT

Daily average output at factories, according to the Federal Reserve Board's production index, declined by about the usual seasonal amount during June. Output of mines increased, and the Board's combined index of industrial production, which is adjusted for usual seasonal changes, advanced from 85 per cent of the 1923-1925 average in May to 86 per cent in June. Daily average output of automobiles and lumber increased in June, while activity at cotton mills, shoe factories, and meat-packing establishments declined. Activity at steel mills declined seasonally during June, but, according to trade reports, increased after the first week of July. There were sharp increases in the production of anthracite and bituminous coal during June and output of crude petroleum was also larger than in May.

Factory employment and payrolls decreased between the middle of May and the middle of June. More than seasonal declines in employment were reported by producers of automobiles, clothing, shoes, and cotton fabrics, and employment at lumber mills also decreased, while the number of workers at woolen mills increased. In most other manufacturing industries changes in employment from May to June were largely seasonal in character. Employment and payrolls at mines increased considerably.

Daily average construction contracts awarded, according to reports of the F. W. Dodge Corporation, were larger in value in June and the first half of July than in May. Awards of residential building contracts were twice as large as a year ago, while contracts for public projects continued smaller than last year.

The Department of Agriculture July 1 estimates forecast corn and wheat crop larger than a year ago, but smaller than the five-year average for 1928-1932. Acreage of cotton in cultivation on July 1 was reported as about 5 per cent larger than at the same time last year.

DISTRIBUTION

Daily average loadings of freight on railroads increased during June, reflecting larger shipments of coal. Daily average value of department store sales showed little change from May to June, when a decline is usual, and the Board's seasonally adjusted index advanced from 76 per cent of the 1923-1925 average to 80 per cent.

COMMODITY PRICES

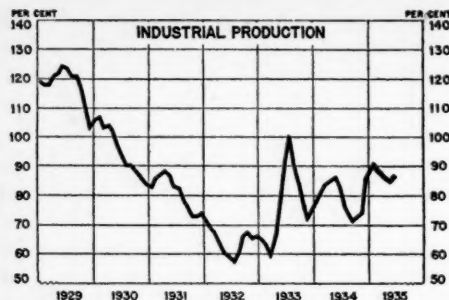
Wholesale prices of farm products and foods declined during June, while the prices of other commodities as a group showed little change. Retail prices of food, which had increased sharply in the two years ending last April, according to the index of the Bureau of Labor Statistics, declined somewhat in May and June.

BANK CREDIT

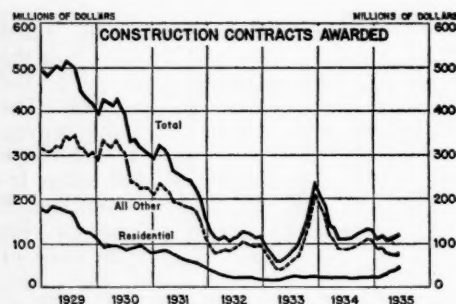
Member bank reserve balances with the Federal Reserve banks and excess reserves showed declines for the four weeks ending July 17, reflecting in large measure an increase in the balance of the Treasury with the Federal Reserve banks following a sale of Treasury notes.

Total loans and investments of reporting banks in leading cities increased by \$260,000,000 during the five-week period ended July 17. Subscriptions by reporting banks to new security offerings by the Treasury exceeded retirement of bonds held by these banks, and consequently their holdings of direct obligations of the United States increased by \$200,000,000. Holdings of other securities increased by \$125,000,000, while loans declined by \$60,000,000. Government deposits with these banks were reduced by over \$200,000,000, while other deposits, exclusive of inter-bank balances, showed an increase of a similar amount.

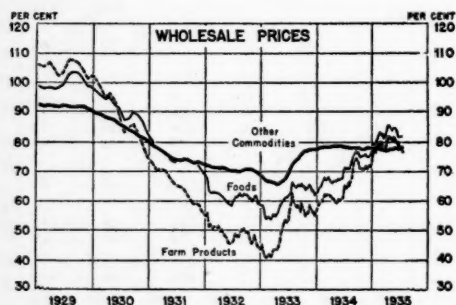
Yields on Government securities declined slightly during this period, while other short-term open-market money rates remained at low levels.



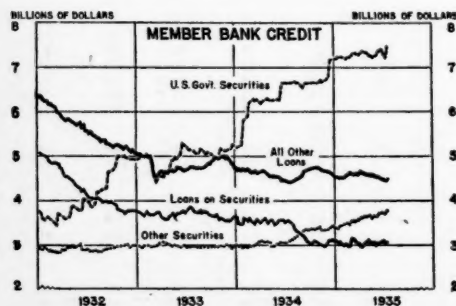
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. Latest figure based on data for May and June and estimate for July 1935.



Indexes of the United States Bureau of Labor Statistics. (1926 = 100.) By months 1929 to 1931; by weeks 1932 to date.



Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for July 17, 1935.

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